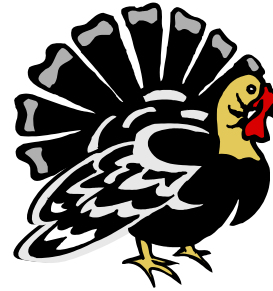


# The California Regional Bulletin

November 26, 2003



**Editor's Note:** This is a special Wednesday edition of the California Regional Bulletin. We will return to our usual Friday publication schedule on December 5, 2003.

## Statewide

**Wells Fargo Bank says** California's economy has turned the corner, even though progress is slow in the Bay Area. The Bank said declining population growth, energy costs as much as 60 percent above the national average, business costs that exceed the other western states, and a shortage of affordable housing will hamper growth in the short-term. If Governor Schwarzenegger does not raise taxes, there could be more employment cut backs at the state, and the remaining workers could have to renegotiate wage and salary contracts, or even face pension benefit reductions. The consequences on Sacramento's economic outlook would be severe. Wells Fargo revised their forecasts upward on Central California personal income growth as strong productivity increases and an improving agricultural outlook should boost personal incomes. Tighter security at the Mexican border changed seasonal migration patterns, hiked unemployment rates, and stretched Central California's social safety net. Southern California's grocery clerk and transit authority strikes will only have a minor impact on Southern California's massive economy, but the wildfires should spur a rebuilding boom that will show as increased economic activity. Manufacturing orders and production are on the rise as business spending is on the rebound. Payroll employment remains down due to continuing rapid productivity growth and worker compensation costs that discourage more aggressive hiring. These factors will lead to average economic performance next year, but California's economic advantages should help the State outperform the national average once it overcomes the short-term obstacles.

## Southern California

**The aerospace industry continues its southern California rebound** with an announcement from the Boeing Company that it will help develop the next generation of NASA/USAF "X" planes, the X-43-C. The X-43 project is one of the first steps toward developing a new generation of land-based reusable air-breathing space launch vehicles. Boeing will work on the new ultra-fast test aircraft at its Huntington Beach facility. Allied Aerospace and MicroCraft, Inc. of Tullahoma, Tennessee are the lead developers on the \$150 million contract. NASA and the US Air Force will share the contract management responsibilities. About 20 engineers at Phantom Works, Boeing's advanced research and development arm, will work on the project to build three X-43C vehicles. The research and development team has been charged with designing the X-43-C so it can fly at speeds from five to seven times the speed of sound--speeds previously achieved only by rockets. The X-43C will be 16 feet in length, which is nearly four feet longer than its predecessor, the X-43A. For more information on the X-43 hypersonic aircraft research program, you can visit the NASA site at <http://www.dfrc.nasa.gov/Research/X43>.

## **Central California**

**Cutting desks instead of people** helps technology firms cut costs, says the San Jose Mercury News (<http://www.bayarea.com/mld/mercurynews/7281904.htm>). Executives at Cisco Systems, Sun Microsystems, and Hewlett-Packard have reduced, or will reduce, their space needs by hundreds of thousands of square feet by eliminating offices rather than their employees. "This is a pretty important trend," said Mark Golan, vice president of real estate and workplace resources for San Jose-based Cisco Systems, which occupies more than 6 million square feet in the South Bay. Over the next three to five years, he said Cisco could cut 15-20 percent from its real estate costs. About 13,000 of Santa Clara-based Sun Microsystems' 35,000 employees lack offices, according to the company. They say many of Sun's workers are like nomads who use their building access badges to log onto shared computers. Hewlett-Packard spokeswoman Brigida Bergkamp noted that the firm closed its 495,000-square-foot Mayfair campus in Mountain View and absorbed Mayfair workers into other buildings partly because about 455 of them didn't need their own offices. The company says it cut real estate holdings by 19 percent in the past year or so and has saved on real estate and electricity costs while making its workplace more flexible. Bill Vass, Sun's vice president of information technology, said they have reduced the company's annual electricity bill \$2.8 million worldwide, with most of that savings in the Bay Area. Costs of moving someone into an office also diminish. "Now we issue you a badge" with the option to work anywhere, Vass said. "It's instant productivity." Employees without offices work at home, in shared areas, or elsewhere outside the traditional workplace.

## **Northern California**

**From Morro Bay to Bellingham Washington**, fishermen must reel in their nets. Under a \$48 million buyback program, Federal regulators bought the fishing rights of 92 of the most productive boats in the 265-vessel West Coast trawler fleet. In return, the fishermen relinquished their State and Federal fishing permits and amended the titles of their boats so they cannot use the vessels for fishing anywhere in the world. Boat owners cashed in on an average of \$497,000 in exchange for their permits. The conservancy program's next step is to impose an annual fishing limit on each of the remaining 173 trawlers, instead of one quota for the entire fleet. On California's North Coast, the buyback should have a huge impact in Eureka, Fort Bragg, and Crescent City where the fishing rights of 34 of the ports' combined 51 trawlers were sold. The buyback was especially bad news for the Crescent City Harbor where 14 of 15 boats were lost. City officials said they expect to lose about \$30,000 per year in moorage fees plus an undetermined amount for fuel and supplies. Additionally, about 40 crewmembers will lose their jobs. Business and jobs in the marine supply business, which equipped the fishing vessels, will also be hurt by the business cutbacks.

The Labor Market Information Division, part of California's Employment Development Department (EDD), produces this Bulletin. For more information about this Bulletin or other EDD services, contact your nearest Labor Market Consultant at: <http://www.calmis.ca.gov/file/resource/analyst.htm>